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AICPA *Washington Report*

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COUNCIL AND WAGE AND PRICE STABILITY

Proposed procedural rules have been issued by the Council (see the 8/17/79 Fed. Reg., pp.48632-36.) These rules would simplify and streamline CWPS procedures. Comments are being solicited not only on the procedural rules but on all aspects of the administration of the voluntary pay and price standards, especially from companies that filed materials, sought advice, submitted exception requests, were involved in noncompliance proceedings, or had any experience with the Council during the first program year. Comments are due by 9/17/79. For more information contact Barbara Hunter at 202/456-6210.

FEDERAL COMMUNICATIONS COMMISSION

A notice of a proposed rulemaking issued by the FCC which would amend the present uniform system of accounts for telephone companies appeared in the 8/21/79 Fed. Reg., pp.48988-96. The proposal would provide accounting procedures for, (1) expensing station connection costs, (2) the sale of terminal equipment and the repair of customer-provided terminal equipment, and (3) capital recovery of terminals offered under optional payment plan tariffs. Comments on the proposal are due by 10/9/79 and reply comments must be received before 11/12/79. For more information contact Sanford Margolin at 202/632-3863.

FEDERAL TRADE COMMISSION

An exemption for some small companies from the requirement to file pre-merger notification for certain transactions has been proposed by the Commission in a move to ease the paperwork burden placed on them by Federal and state regulation. The proposed changes would exempt from the requirement those transactions in which at least 15% of a firm's assets were being acquired and those assets are valued at \$15 million or less or those in which 50% or more of the voting securities of a firm are being acquired, provided the firm that issued the securities has both sales and assets of less than 25 million and the voting securities are valued at \$15 million or less. For more information on this proposal, or instructions on the submission of comments, contact the FTC at 202/523-3598.

HOUSING AND URBAN DEVELOPMENT

A proposed rule on community disaster loans has been issued by the Department (see the 8/10/79 Fed. Reg., pp.47105-09). Included in that portion of the rule concerning loan cancellation is a requirement for annual audit reports certifying to the validity of the operating statements. These reports may be prepared by a CPA, state audit organizations or licensed public accountant. Also included is a requirement that the auditor be independent "within the meaning of the code of professional ethics of the AICPA." Comments on this proposal are requested by 9/24/79. For more information contact Gene Morath at 202/634-7835.

JUSTICE, DEPARTMENT OF

A tax litigation office to provide a public forum for the discussion of litigation between the public and the Department has been proposed. If approved by the Attorney General, the Assistant Attorney General in charge of the Tax Division, and the OMB, the Committee on Tax Litigation would consist of 12 members with a background in tax litigation, with members representing

the interests of the public. The Committee would be only an advisory body, providing information to the Justice Department on tax problems. For additional information on this proposal, or to submit comments, contact the Department at 202/633-4531.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Final rules which amend procurement regulations and cost principles have been adopted, (see 8/17/79 Fed. Reg., pp.48211-21). Revisions to the regulations eliminate conflicts with Cost Accounting Standards on accounting periods, and cost of compensated personal absence, and depreciation of tangible capital assets. Conflicts with CAS 404 have been eliminated by incorporating the requirement that contractors follow Financial Accounting Standard No. 13. These changes are effective as of 8/17/79. For further information contact James Wilson at 202/755-2237.

PENSION BENEFIT GUARANTY CORPORATION

A series of questions on the administration of the multiemployer plan termination insurance program and proposed changes in that program have been sent to the Corporation by Rep. Sam Gibbons (D-Fla), chairman of the House Ways and Means Oversight Subcommittee, as a follow-up to hearings held in July. Among the topics covered in the inquiry are: the effect of the legislative proposals on collective bargaining; whether parties to collective bargaining should be allowed to reduce benefits to retirees; why an "affordable system" cannot be managed through the funding, withdrawal liability, premium increases and other proposals without guarantee reductions; and how will lowered guarantees be a disincentive to plan insolvency and termination. In addition, the Corporation has been requested to submit an ongoing program cost analysis and projections. The Oversight Subcommittee plans to hold another hearing on premium and guarantee issues this fall.

SECURITIES AND EXCHANGE COMMISSION

Federal oversight or Federal intervention, the choice belongs to the corporate business community, according to SEC Chairman Harold Williams in a recent speech at an ABA convention in Dallas, Texas. Williams emphasized his oft-stated position that the accounting provisions of the Foreign Corrupt Practices Act (FCPA) are more important than the anti-bribery provisions, and devoted the majority of his prepared text to the issue of implementing the accounting provisions of the Act. Focusing on corporate management, Williams stated that they should review, document, and where appropriate, strengthen internal control mechanisms. If management assumes a positive attitude according to Williams, this will also "have the effect of encouraging the independent accountant to focus on auditing internal controls, rather than auditing around them as is frequently done today."

Williams' speech, and recent statements by SEC Enforcement Chief Stanley Sporkin are components of a continuing SEC response to what it sees as an Administration-backed attempt to emasculate the FCPA. In June, the New York Times printed a draft recommendation by the White House Export Disincentive Task Force which appeared to suggest that the FCPA should be weakened significantly, concluding that it is causing the U.S. to lose exports amounting to approximately \$1 billion per year. Dispensing with the usual week's notice, Congressman Bob Eckhardt (D-Tx) quickly convened his Subcommittee on Oversight and Investigations and warned the Administration against "attempts to scuttle the legislation", noting that it had been

overwhelmingly enacted by the 95th Congress. The SEC has also responded negatively to a reported plan by the Justice Department which would give case-by-case advice to corporations to assist them in complying with the FCPA. According to the SEC: "We don't want to define the line between acceptable and illegal activities because everyone will walk right up to it."

TREASURY, DEPARTMENT OF

Final rules on the reporting requirements for income tax return preparers have been adopted (see the 8/23/79 Fed. Reg., pp.49451-52). The IRS has reexamined the reporting procedure originally proposed and has concluded that those procedures created an unnecessary paperwork burden. The revised rules provide that a preparer can satisfy reporting requirements by means of retention of records rather than by filing Form 5717 (or by any other filing method). Under the final rules, records of each preparer employed must be retained for a 3-year period. As previously announced (see IR-2138, 6/18/79) a preparer will not be penalized for failing to file Form 5717 before the effective date of these regulations.

The Federal government will receive a \$15.6 billion "windfall profit" from taxpayers this year because of inflation according to Sen. Robert Dole (R-Kan), ranking minority member of the Finance Committee. "Taxflation" is pushing taxpayers into higher tax brackets creating the government windfall. Sen. Dole called for support for his bill (S.12) which would tie tax rates to the Consumer Price Index. He noted increasing bipartisan support for tax indexation is growing in both the House and Senate.

Proposed rules covering penalties and withholding tax rules for individual retirement plans have been published in the 8/20/79 Fed. Reg., pp.48719-20. The rules proposed that employers do not have to withhold any tax for an employee for payment made to an individual plan. Under the proposal penalties are waived for failure to file a report or statement on an IRA or annuity if there was reasonable cause for the failure. Comments on the proposal are due by 10/22/79. For more information contact Kirk Maldonado at 202/566-3903.

For additional information contact:
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202/872-8190

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